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Fixed Assets Utilization in Air India: An Empirical Study



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ARTICLE INFO	ABSTRACT
<p>Received: 08-10-2022 Received in revised form: 10-11-2022 Accepted: 12-11-2022 Available online: 30-12-2022</p> <hr/> <p>Keywords: Fixed Assets Turnover; Long Term Finance; Net Worth; Utilization of Fixed Assets.</p>	<p>Fixed Asset is the major source of investment of a concern. It involves a huge amount as the outlay, which is of utmost necessity towards the earning capacity of the firm. Hence, utmost attention and due diligence to be applied in the maintenance of the fixed assets, and it should involve regular monitoring as it contributes to the production of the concern. The assets should be properly financed through long-term funds. The company should have the necessary funds to finance both long-term assets and short-term assets. The management of fixed assets is core to the business concern. The study brings out in the case of Air India, one of the major airlines in India, how far the fixed assets have been utilised and the availability of the long-term source contributing to the fixed assets and even the current assets during the five years from 2016-2017 to 2020-2021.</p>
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1.0 INTRODUCTION

Fixed Assets are the major component of the application of the funds. It is of utmost responsibility of the concern to look into the fixed assets utilisation and its finance through long-term finance. In India, nine airlines are operating, four regional airlines, twenty-three charter airlines, and three cargo airlines in India. An attempt is made to study the fixed assets utilisation of Air India through the application of ratios, namely "Fixed Assets to Net worth Ratio, Fixed Assets to Long Term Funds and Fixed Assets Turnover Ratio". The operating performance of fixed assets in Air India is studied as to the performance of fixed assets.

1.1 Profile of the company

Air India started in 1932 when Bharat Ratna J.R.D Tata formed an Airline. He was the first person in India to receive a commercial pilot's license. It started its plying from Bombay to Karachi through Ahmedabad. It was nationalised during the year 1953. Air India has been spreading its wings over the years to become a leading domestic and global brand.

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1.2 Objectives of the study

1. To study the fixed assets financing pattern.
2. To examine the fixed assets utilisation.

1.3 Review of Literature

Das (2017) researched the financing pattern and use of Tata Steel Limited's fixed assets from 2011-2012 to 2015-2016. According to the research findings, owners had sufficient money to finance the necessary fixed assets, and the firm had sufficient long-term funds to finance the fixed and a portion of the current assets. In addition, the study found that owners had sufficient funds to finance the needed fixed assets.

Haritha and Divya (2019) suggested that the organisation for tracking fixed assets utilises serial numbered Asset Tags, often with bar codes for easy and accurate reading. Periodically, the owner of the assets can take inventory with a mobile barcode reader and then produce a report.

2.0 DATA AND METHODOLOGY

The data for the study has been obtained through secondary data. The annual reports of AIR INDIA are referred to for the study. Out of nine major airlines, Air India is selected for the study. The ratio analysis technique is used to assess the fixed asset utilisation of Air India.

3.0 RESULTS AND DISCUSSION

Table 1 – Fixed Assets to Net Worth

Details	2021	2020	2019	2018	2017
Total Fixed Assets	455047.20	513978.90	321010.60	372831.90	395249.60
Shareholders' funds	326652.20	326652.10	326652.10	286902.10	267530.00
FANW - FA/SH funds	1.39	1.57	0.98	1.30	1.48

From Table 1, it is observed that the fixed assets have been utilised effectively and properly financed through long-term funds so that there is sufficient availability of the revolving capital. From the year 2017, it has got reduced till 2019. After 2019 it started its upward growth.

Table 2 – Fixed Assets to Long-Term Funds

Details	2021	2020	2019	2018	2017
Total Fixed Assets	455047.20	513978.90	321010.60	372831.90	395249.60
Long Term Liabilities	2018301.60	239979.90	83047.50	302442.00	347756.60
FA to LT FUNDS	0.23	2.14	3.87	1.23	1.14

From Table 2, it is found that fixed assets utilisation in terms of long-term liabilities there were wide fluctuations during the study period. From the year 2017 till 2019, it showed an upward trend, but thereafter it started declining. This shows that the fixed assets have not been properly financed through long-term sources of finance but also through shareholders' funds. Whereas in the latest year, it is found that the fixed asset is properly financed out of long-term funds.

Table 3 – Fixed Assets Turnover Ratio

Details	2021	2020	2019	2018	2017
COGS /SALES /FA	103433.00	277106.10	255088.30	230036.70	218596.10
FIXED ASSETS	455047.20	513978.90	321010.60	372831.90	395249.60
FATR	0.23	0.54	0.79	0.62	0.55

From **Table 3**, it is deduced that the sales in relation to fixed assets were properly utilised in the year 2019 when compared to other years taken for the study, and it is very lower during the year 2021, implying thereby that the sales have very much lower due to non-proper utilisation of fixed assets.

4.0 CONCLUSION

It is concluded from the above study that the fixed assets have been properly financed through not only long-term funds but also through shareholders' funds. Further fixed assets should be properly utilised to increase sales in the future. Hence proper steps should be taken by the concerned in financing the fixed assets and the utilisation of fixed assets.

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